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SUMMARY

Bolivia's mining industry has faced a downfall due to low international prices in the past decade. It is expected that with the recovery of mineral prices (especially tin, gold and silver) in 2004 mining projects which had been put on hold (valued at approximately $651 million in total) will be reinvigorated. As such, there are important investment opportunities in Bolivia's mining sector as well as a potential demand for U.S. mining equipment and services. U.S. products are well received in this sector and are known for their high quality and technical advantages.

Throughout the long history of mining in Bolivia, this sector has become an integral part in the country's history and way of life. The mining industry at one time strongly influenced the country's economy and political life; however, the influence of this sector drastically decreased in the last two decades. This decline parallels with the drop in international mineral prices as well as the drop in demand of primary minerals. Many mines were forced to close during this period and privatization of the State-owned mining company Corporación Minera de Bolivia (COMIBOL) took place.

In 1998, over 55 mining companies were involved in exploration projects in the Pre-Cambrian, the Cordilleras and in the Altiplano. Today there are less than ten mining companies working in the sector. The drastic drop in international market prices and the loss of interest of potential investors in Canadian and American stock markets, due to the Bre-X scam in Indonesia, were the main causes for this sharp cut in exploration.

Annual average mineral production reached USD 429.3 million in the 1997–2003 period. The production value in 2003 was USD 409.1 million, a 10 percent increase compared to 2002. Despite that increase, however, many operations actually decreased their production of minerals. The largest mineral production drops were in medium-sized operations, while the artisan miners of the Small Miners and Mining Cooperatives increased their production. COMIBOL's production is very limited, limited to output purchases from mining cooperatives that are working in the company's mines.

Since 1997, zinc output has become the largest cash earner amongst the Bolivian base metal mining industry, with gold output second and silver third. Tin production, the former star of

Bolivia's mining, dropped to a close fourth place. In 2003, zinc production ranked first in value, followed by gold, tin and silver.

With mining prices at a high, projects like San Bartolomé (silver), San Vicente, San Simón (gold), San Cristobal (zinc, lead and silver) in Potosi, Mutun (iron) in Santa Cruz, and Kori Chaka and Llallagua (gold) in Oruro should soon see significant investment and represent a good opportunity for sales of U.S. mining equipment and services.

THE MINING INDUSTRY IN THE BOLIVIAN ECONOMY

After twelve years of moderate economic growth, the Bolivian economy is in its fifth year of economic stagnation with 0.68 percent growth in 1999; 2.37 percent in 2000; 0.92 percent in 2001; 2.75 percent in 2002; and 2.5 percent in 2003. The poor performance is a result of a combination of factors which include lower export prices for mining commodities, cyclical droughts and floods, the influence of the Brazilian and Argentine economic crises, and growing internal social and political unrest. In 2003, the country's Gross Domestic Product (GDP) was estimated at USD 8.25 billion with a per capita GDP of approximately USD 910. The mining sector accounts for 4.5 percent of the national GDP and registered 0.30 percent growth in 2003.

In 2003, mining extraction exports represented 14.5 percent of Bolivia's total exports, ranking third in importance. (Manufacturing exports ranked first with 49 percent, followed by the hydrocarbons sector with 30 percent of total exports.) Mineral extraction exports during 2003 registered a 13.61 percent increase over 2002. According to the National Statistics Institute (INE), in the first two months of 2004, Bolivia's mineral exports grew by 29 percent, with tin registering 224 percent growth during these first two months (USD 5.1 million vs. USD 1.5 million), when compared to 2003. Regardless of this increase, Bolivia's future exports structure is expected to remain the same as that of 2003, relying on the hydrocarbon and manufacturing industries as opposed to the mining industry, as was the case in the past.

Table I summarizes the country's exports by sector:

TABLE I
EXPORTS BY SECTOR
(millions of USD)

	2002	**2003**	**Percent Increase**
Mining	199.86	227.07	13.61
Agriculture	61.24	94.12	53.69
Hydrocarbons	331.46	476.48	43.75
Manufacturing	727.29	768.10	5.61
TOTAL	**1,319.85**	**1,565.77**	**18.63**

Source: National Institute of Statistics (INE)

According to the Office of Economic Analysis (UDAPE), taxes paid by the mining sector, including internal sales taxes, during the past five years were irrelevant. Taxes paid by the mining industry represented about 1 % of Bolivia's GDP and about 0.5 % of the total tax revenues collected. Mining concession patents or land rental fees totaled USD 2.03 million.

The 1997 Mining Code and the 1990 Investment Law (Law Nr. 1182) do not draw distinctions between locally and internationally funded companies. A company may freely export its products. Profits and dividends reinvested into the industry are exempted from all taxation. The mining sector is liable to direct taxation through a complementary mining tax and a corporate income tax. The mining industry, as well as other industries, is liable to indirect taxation such as value-added tax, specific consumption tax, and import duties. Net losses may be carried forward and deducted from future income for the purpose of tax calculations. Certain calculations apply to the calculation of total taxable income. Depreciation, bad loans, and directors' contributions are deductible, as are employee bonuses and benefits. Depreciation is generally accounted for by the straight-line method, but accelerated schedules may also be used for tax purposes if approved by the GOB authorities. Income tax is charged at 25 percent of net income.

In the past six years, foreign direct investment (FDI) has not boosted economic growth in the country, but has contributed to macroeconomic stability. Annual average FDI for the period 1997–2002 was USD 933 million. Average annual Foreign Direct Investment in the mining sector for the same period was USD 30 million, representing 3.31 % of total investments. The last registered public investment in the mining sector was in 1997 with USD 3.4 million. Table II shows the Foreign Direct Investment made per year during the last five years.

TABLE II

Foreign Direct Investment 1997 - 2002

(In U.S. Dollars)

ECONOMIC ACTIVITY	1997	1998	1999	2000	2001	2002(p)
TOTAL	**854,024,240**	**1,026,060,002**	**1,010,447,684**	**832,474,686**	**877,111,642**	**999,013,296**
Agriculture	180,000	289,000	2,600,000			
Hydrocarbons	295,941,791	461,908,506	384,107,720	381,568,898	453,052,562	462,815,805
Mining	29,937,883	38,154,878	23,141,736	28,501,006	34,501,973	11,559,518
Manufactures	25,379,422	16,148,839	149,552,565	93,424,055	87,335,160	91,131,638
Energy	105,185,296	84,912,083	71,697,987	42,018,280	41,387,818	42,325,176
Construction	181,619,354	103,502,754	140,642,032	64,379,877	18,179,947	282,967,755
General Sales	763,617	5,091,972	21,788,781	33,292,524	12,609,446	11,047,190
Hotels and Restaurants	1,000,000		0	31,406,571	1,000,000	15,395
Transportation, Storage and Communications	179,573,786	223,336,746	168,871,396	108,905,488	200,826,307	39,727,586
Finances	23,897,917	88,785,643	42,040,942	42,496,352	20,129,153	54,933,713
Other Services	10,545,174	3,929,581	6,004,525	6,481,635	8,089,276	2,489,520
Mining investments / Total investments	3.51%	3.72%	2.29%	3.42%	3.93%	1.16%
Hydrocarbons investments / Total investments	34.65%	45.02%	38.01%	45.84%	51.65%	46.33%

Source: National Statistics Institute
(p): Preliminary

The U.S. is the largest investor in Bolivia. U.S. Investment in 2002 was USD 288.71 million, compared to USD 351.12 in 2001. U.S. investment in the Bolivian mining sector accounted for 30.27 percent of total U.S. investment in 2002.

STRUCTURE OF THE MINING INDUSTRY

With the new Mining Code (Law Nr. 1777) and regulations enacted in March 1997, the Privatization Law (Law Nr. 1330) of 1992, and the Capitalization Law (Law Nr. 1544) of 1994, the structure of the Bolivian mining industry has changed. These changes followed the GOB's shift toward open-market policies and smaller governmental administrative structures. The government's sector head is the Viceministry of Mines and Metallurgy that operates under the Ministry of Hydrocarbons and Mining. The Viceministry delineates policies and guidelines for the Bolivian mining industry.

The Superintendency of Mining, a part of the National Sectorial Regulation System (SIRESE, Law Number 1600), is the authority that regulates and grants mining concessions after administrative and technical procedures are completed by the Mining Technical Service (Servicio Técnico de Minas - SETMIN). The Superintendency is also the counterpart for all legal disputes in the sector that have to be resolved through civil court judges.

COMIBOL, formerly the country's largest mining producer, is now the sole administrator of the 1952 nationalized mining properties, which may not be sold or privatized under Bolivia's Constitution. COMIBOL administers and rents these mining properties by calling for tenders and signing time-fixed exploration and exploitation Joint Venture Contracts (Shared Risk Contracts). COMIBOL can also rent or sell the mining properties acquired by the company after 1952, but cannot exploit them as a mining company. COMIBOL now has 117 employees compared to 27,872 in 1984. The following projects are in COMIBOL's 2004 portfolio: Karachipamapa Smelter, El Mutún, Mesa de Plata, Pampa Grande, El Asiento and Ubina.

The private mining sector is formed by private companies that are grouped as Small, Medium and Cooperatives Mines. The Medium Miners Association has sevent associated mining and smelting companies registered with it. Companies belonging to this association employ approximately 3,500 miners. Private small miners are associated to the National Mining Chamber (Cámara Nacional de Minería). The number of currently operating small mines has been reduced to about 350 with a total of 3500 miners working in those mines, compared to 5,000 mines operating the early 1970's with over 30,000 total workers. A total of 506 mining cooperatives are grouped under the National Confederation of Mining Cooperatives (Federación Nacional de Cooperativas Mineras – FENCOMIN). This is the mining group that has grown steadily, as mines closed in the past fifteen years, with 45,302 miners registered in 2001. FENCOMIN has 109 mining cooperatives mining base metals in the Departments of Oruro and Potosí, and 21 cooperatives mining ulexite and other non-metallic minerals around the Uyuni Salt Flats. There are 376 cooperatives mining alluvial gold, as well as tin and tungsten, in the Department of La Paz.

The mineral smelters, which are now privately owned, form part of the Bolivian mining sector. Metal productions from the smelters are registered as "Other Producers" in Bolivia's statistical records.

MINING AND EXPLORATION CONCESSIONS

The Bolivian mining tax regime is competitive, comparable to those of neighboring countries and benefits investors. The Mining Code grants judicial and technical assurances for investors. In January 2002, benefits under the Potosí Law (No. 877) were expanded to include tax incentives for investments, including deferring payment of Value Added Tax (IVA) and the Consolidated Customs Tax (GAC) on imported machinery during industrial installation periods.

Under the Bolivian Constitution, all mineral substances on the surface or underground are the property of the State. Mining concessions granted by the State confer the right to exploit mineral commodities other than a right of ownership. Exploration also requires the granting of a concession. Both mining and exploration concessions are subject to the payment of a land tax of USD 1 per hectare per year for the first five years, increasing to USD 2 per hectare per year after the fifth year. Both Bolivian and foreign citizens may hold exploration and mining concessions. According to the Constitution, foreigners cannot own a mining concession within a 50-kilometer belt along any of Bolivia's international borders, though joint ventures with local companies to exploit minerals are permitted. All mining concessions are freely transferable, and concessions may be leased. The cancellation of a concession occurs only if the required annual land tax payment is not made on time (March of every year).

Table III shows the number of mining concessions and the number of mining squares (each mining concession covers 1 hectare and a mining square covers 25 hectares) granted by the Servicio Técnico Minero (Mining Technical Service - SETMIN) between 1997 and 2003:

TABLE III
MINING CONCESSIONS GRANTED BY SETMIN
(In thousands)

	1997	1998	1999	2000	2001	2002	2003
NUMBER OF CONCESSIONS	580	1,062	1,011	949	598	610	568
NUMBER OF MINING SQUARES	19	16	19	19	11	85	85

Source: SETMIN

The Mining Cadastral Program, started in 1996 by the Servicio Técnico de Catastro Minero (SETCAM) and followed a year later by the SETMIN, terminated in December 2000. Only 73 mine concessions (out of over 3,000) could not be geographically located and were eliminated of SETMIN's database. COMIBOL is to date the largest owner of mining properties in Bolivia. COMIBOL has begun renting closed mines to small cooperatives made up of ex-workers from the state-owned mining company.

New national environmental regulations became effective in early 1996. This legislation requires environmental impact studies for all new mining projects. Existing projects were required to upgrade to environmental quality control systems by the end of 2002. Any operation failing to comply with these new regulations would face closure. However, the legislation does not address the widespread pollution problems associated with 500 years of historical mining near or in urban areas. The worst mining pollution, due to the accumulation of mine and mill tailings, is in the cities of Oruro and Potosí and the southern part of the Desaguadero River, as well as at the heads of the Pilcomayo, Cotagiata and Tupiza rivers.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Over 50 junior mining companies were aggressively exploring during the 1995-96 period. This number dropped to 46 companies in 1997, a trend that continues as companies leave the country just prior to starting the drilling phase. In 1998, a total of 9 companies left Bolivia, with an additional 17 departing in 1999. In 2000, another 4 companies left. In 2003, there were 9 companies exploring in Bolivia (Table IV). In addition to those listed in Table IV, there are an additional six companies carrying out limited exploration and mine development activities.

TABLE IV
MINING COMPANIES EXPLORING IN BOLIVIA
DURING 2001 - 2003

MINING COMPANY	COUNTRY OF ORIGIN	MINERALS SEARCHED FOR	WORKING AREAS
L&M Mining	New Zealand	Gold	Ulla Ulla – La Paz
Solitario Resources	Canada	PGE	Rincón del Tigre – Santa Cruz
Excalibur	Canada	Gold	San Simón – Beni
Egleacrest	Canada	Gold	San Simón – Beni
Newmont Mining	U.S.A.	Gold–Silver	Kori Kollo – Oruro
Panamerican Silver	Canada	Zinc–Silver	San Vicente – Potosí
COMSUR/CDC	Bolivia	Tin/Zinc	Colquiri – Oruro
Coeur d’Alene	U.S.A.	Silver	San Bartolomé – Potosí
Andean Silver	U.S.A.	Silver	San Cristóbal – Uyuni

Source: Miners Association

MINERAL PRODUCTION

A. BASE METALS, GOLD AND SILVER PRIMARY PRODUCTION

During the last five years, Bolivia’s mineral output followed the then-declining trend in international mineral market prices. Table V shows total mineral production. Zinc output continues to dominate the Bolivian base metal mining industry followed by gold and silver production. Tin, formerly the most important mineral produced by Bolivia, has dropped to

12,000 MT annually from its historical level of 30,000 MT. These figures, however, are expected to increase in 2004. Bolivia's 20,000 MT annual smelting capacity was filled by imported tin concentrates from the San Rafael mine in Peru, until it fired up its own smelter in early 2000.

Silver is the only mineral that has increased its production levels in the period under analysis. Gold production had been fairly level, before a dramatic drop in 2002 when the Kori Kollo open pit mine (Empresa Minera Inti Raymi) run out of ore reserves, forcing the mine to shut down. Kori Kollo has since returned to heap leaching 15,000 MT per day of oxide gold lode from the Llallagua deposit and old Kori Kollo tailings.

Antimony mine production has basically stopped since EMUSA closed all of its mine operations in 1999. (Registered production volumes for 1999 and 2000 are old stocks, some with high lead content.)

TABLE V
TOTAL MINERAL PRODUCTION
(In thousands of metric tons of fine content)

MINERAL COMMODITY	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003(p)**
Zinc	154,491	152,110	146,316	149,134	145,306	141,558	144,985
Tin	12,898	11,308	12,417	12,464	12,352	15,242	16,754
Gold	13	14	12	12	12	11	9
Sliver	387	404	422	434	411	450	465
Antimony	5,999	4,735	2,790	1,907	2,264	2,336	2,584
Lead	18,608	13,848	10,153	9,523	8,857	9,893	9,739
Tungsten (WO3 content)	647	627	421	481	671	503	556
Copper	182	48	252	110	18	3	86
Ulexite (including boric acid)	22,029	26,805	25,918	43,289	32,477	40,477	109,544
Other Minerals (in net metric tons)	3,081	1,672	2,232	5,270	7,099	6,892	6,892

Source: Viceministry of Mines and Metallurgy
(p) Preliminary

B. MINERAL PRODUCTION VALUE

Bolivia's mineral production value from 1997 to 2003 dropped 19.82 percent. This drop was caused by a combination of lower mineral prices, reduced mine output and lower mineral grades. Table VI shows the detail of the mineral production value per year per commodity mined.

TABLE VI
MINERAL PRODUCTION VALUE
(in millions of USD)

MINERAL COMMODITY	1997	1998	1999	2000	2001	2002	2003(p)
Zinc	201.5	155.6	157.9	168.0	127.8	110.2	120.0
Tin	72.9	62.7	67.3	67.6	55.4	61.9	81.91
Gold	141.0	136.6	105.7	107.7	108.3	112.2	108.76
Silver	61.3	71.8	70.9	69.1	57.7	66.6	72.80
Antimony	10.7	6.5	2.3	1.6	1.7	2.8	3.63
Lead	11.5	7.3	5.1	4.3	4.2	4.5	5.01
Tungsten	2.7	2.4	1.4	1.9	3.9	1.5	2.21
Ulexite (including boric acid)	6.0	8.2	7.0	7.3	5.6	6.0	10.85
Other Minerals	2.2	1.1	3.8	3.1	5.3	5.0	3.6
TOTAL	**509.8**	**452.2**	**421.4**	**431.1**	**369.9**	**370.8**	**408.77**

Source: Viceministry of Mines and Metallurgy
(p) Preliminary

C. METALLIC PRODUCTION

All metallic production in the country is now in the hands of private companies.

TABLE VII
TOTAL PRODUCTION OF METALLIC COMMODITIES
(In metric tons fine content)

METALLIC COMMODITY	1997	1998	1999	2000	2001	2002	2003 (p)
Tin	16,853	11,102	11,166	9,353	11,291	10,976	10,976
Gold	10.7	12.0	10.0	9.7	10.5	9.1	9.1
Silver	72.9	79.2	72.2	55.7	32.6	31.9	31.9
Antimony	---	8.2	155.8	227.9	240.5	195.1	195.1
Antimony Trioxide	4,645	3,408	2,081	1,056	1,992	-	-
Antimony Alloys	8.9	147.8	21.0	4.2	8.4	-	-
Lead	77	246	45	251	106	94	94
Bismuth	55	44	19	14	66	88.2	88.2
Alloys Sn-Pb	---	---	75	217	139	257.2	257.2

Source: Viceministry of Mines and Metallurgy
(p) Preliminary

D. PRIMARY CONCENTRATES EXPORTS

Most of Bolivia's mineral exports are in the form of primary concentrates with the exception of tin exported as metallic, gold as bullion and antimony as trioxide. Zinc, silver and lead concentrate exports go mainly to Switzerland, the UK and Belgium. Tungsten concentrates were exported to the U.S. Tables VIII shows the total mineral exports in volume and value:

TABLE VIII

MINERAL AND METAL EXPORTS FROM BOLIVIA TO THE U.S.

MINERALES Y METALES	2001		2002		2003 (p)	
	Refined Kilos	Value(USD)	Refined Kilos	Value(USD)	Refined Kilos	Value(USD)
TOTAL	**7,633,165**	**33,451,139**	**9,397,203**	**36,397,394**	**14,100,960**	**58,088,591**
Zinc Mineral			49,500	41,463	102,442	81,305
Wolfram Mineral	653,051	3,943,155	489,434	1,533,966	434,002	1,680,364
Silver Mineral			14	2,107	142	22,077
Other Minerals	749	460,521	192,227	366,440	1,504,792	230,939
Metallic Tin	5,653,635	26,046,694	7,509,760	30,950,679	10,792,087	50,885,817
Metallic Antimony	1,235,442	1,011,845	1,120,180	970,216	1,167,702	2,750,872
Metallic Gold	222	1,923,160	236	2,312,062	186	2,165,394
Metallic Silver					0	3,536
Other Manufactured Minerals	90,067	65,764	35,853	220,460	99,608	268,289

Source: National Statistics Institute
(p) Preliminary

E. METALLIC EXPORTS

Metallic exports are limited to tin, smelted in the Vinto smelter, gold bullion, exported by Empresa Minera Inti Raymi, and antimony (mainly antimony oxides) by the Vinto smelter and Empresa Minera Bernal Hermanos Ltda.

TABLE XIV
EXPORT VOLUME AND VALUE PER METAL COMMODITY
(in metric tons fine content and USD million)

METAL COMMODITY	1997		1998		1999		2000		2001		2002(p)	
	Vol.	Value	Vol.	Value	Vol.	Vol.	Valu e	Value	Vol.	Value	Vol.	Value
Tin	12,424	70.1	10,381	57.6	11,913	11,066	50.8	65.7	11,066	50.8	12,253	57.9
Gold	10.3	110.5	11.9	113.4	9.9	9.9	86.2	87.8	9.9	86.2	6.2	71.8
Silver	72.3	11.3	79.2	14.4	73.2	27.3	4.0	8.9	27.3	4.0	26.8	4.0
Antimony	5,504	7.3	3,743	5.2	2,278	1,991	1.5	1.1	1,991	1.5	1,991	1.5
Lead	35	0.003	133	0.007	111	90	0.015	0.004	90	0.015	90	0.015
Bismuth	---	---	83	0.7	57	51	0.4	---	51	0.4	49.9	0.3
TOTAL EXPORT VALUE		**199.2**		**191.3**		**168.7**		**142.9**		**142.9**		**135.51**

Source: Viceministry of Mines and Metallurgy
(p) Preliminary

FUTURE TRENDS AND PROJECTS

With the recovery of mineral prices, Bolivia’s mining sector is expected to grow in 2004. The most awaited projects are: San Bartolomé (silver), San Vicente, San Simón (gold), and San Cristobal (zinc, lead and silver) in Potosi, Mutun (iron) in Santa Cruz, and Kori Chaka and Llallagua (gold) in Oruro.

Private Projects

<u>San Cristobal</u>
Apex Silver Mines, owner of the San Cristobal concession (silver, zinc, lead), holds Bolivia’s largest pending mining project. The company recently announced that USD 430 million has been raised for exploration activities. When activities begin, San Cristobal will be the third-largest silver producer in the world. Apex Silver is currently focusing on necessary technical work before the project can begin, including finishing feasibility studies and obtaining environmental permits. The mine should start operating by the end of 2004. The project has been on hold since 1997, awaiting the GOB’s decision on and approval of the electrical energy supply contract to be signed with a Bolivian or Chilean company. The company was also waiting for silver prices to rebound. San Cristobal has 240 million MT in proven and probable reserves with 2 ounces per MT of silver, 1.7 percent Zinc and 0.6 percent lead. The mine’s expected life is 17 years.

<u>Karachipampa Smelter</u>
Karachipampa, COMIBOL’s silver and lead smelter, was built by a German/Belgium consortium in 1983, at a cost of approximately USD 130 million. The plant is located 7 kilometers from Potosí and has a production capacity of 51,131 annual tons of concentrate. Karachipampa was never opened, however, because of the lack of mineral concentrates to fill the plant’s capacity. The plant is now looking for a joint venture private investment. When the San Cristobal project begins, 25,000 tons on lead and silver will be processed in the plant. This project is part of the GOB’s promise to reinvigorate the mining sector in Bolivia.

Don Mario

Canada's Orvana Minerals Corporation sold Don Mario to COMSUR. This project, that started activities in February 2004, is expected to produce 3.6 MT of gold and 2 MT of silver.

San Bartolomé,

The San Bartolomé Mine (silver) was transferred by ASARCO to Coeur D'Alene in 1999. This project is currently in the feasibility study phase. Coeur d'Alene Mines will invest USD 80 million, and the mine is expected to produce about 10 million ounces of silver per year, with operations starting in mid-2004. The project has an estimated 12-year lifespan.

Kori Chaka and Llallagua

Owned by Inti Raymi, these gold projects are in the process of being reactivated by an investment of USD 24 million in 2004 and USD 50 million in 2005.

COMIBOL's Projects

El Mutún

COMIBOL has launched a public bid for investment in the iron project El Mutún and hope for investment figures range between USD 50 and USD 400 million.

Huanuni

Huanuni, which has the largest tin reserves of the region, was sold in 1999 to Allied Deals (now RBG Minera Huanuni S.A.). The company went bankrupt and was then taken over by COMIBOL in 2002. The company reported net gains of approximately USD 1 million in the last two months of 2003 and the first trimester of 2004. In 2003, the company processed 272 thousand tons of tin. With tin prices on the rise, the company hopes production will double in 2004.

Future prospects

Private interest in future exploration will also depend on basic geological, geophysical and geo-chemical information being updated by the Bolivian Geological and Mining Survey (Servicio Nacional de Geología y Minería – SERGEOMIN).

According to local experts, the Pre Cambrian shield remains a virtually untouched geological area of Bolivia with vast potential. The decision to explore carbonates in the Tucava Basin could give positive results with ore bodies of the Mississippi Valley type. The Miguela deposit could turn into a classic VMS mineralization. The Rincón del Tigre mafic-ultramafic intrusion remains one of the largest in the world, worth exploring for its palladium and platinum. Rincón del Tigre is also an exploration target for laterite nickel.

The exploitation of high quality amethyst, citrine and the new gem "Bolivianita" (ametrine) has increased in recent years. The "Bolivianita" is composed of zones of natural citrine dispersed throughout amethyst, producing a bi-colored gem.

Local prospectors in the Tapacari Province of Cochabamba mentioned diamond sites. Diamonds are not known to exist in the Bolivian Pre Cambrian, possibly due to the lack of alluvial prospectors. However, aerial magnetics have outlined clusters of dipole anomalies similar to kimberlites elsewhere. The DeBeers company did a regional evaluation of the Pre Cambrian shield for diamonds with unknown results.

In 2002, the GOB put into practice the General Plan of Support to Mining, which consists in:

- The National Emergency Mining Jobs Plan;
- Technical assistance programs for small miners and mining cooperatives; and
- The incorporation of the mining sector into the national Temporal Import Admission Regimen (RITEX) under the Economic Reactivation Law (Law Nr. 2064). This allows all imports made by the sector to receive a return of VAT tax.

Future mineral resource development is likely to focus on the advanced projects. Possibilities for re-development of old projects and the development of the lithium and potassium projects from the Uyuni salt flats also exist.

COMMERCIAL OPPORTUNITIES

Bolivia continues to be a modest source of minerals, both refined and concentrates, for the U.S. economy. Bolivian mineral exports to the U.S. dropped from USD 69.1 million in 1997 to USD 53.2 million in 2003.

The Bolivian mining industry has been an important market for U.S. mining machinery and equipment, as well as for milling plants. Bolivia’s current economic limitations, including an investment climate rocked by the downfall of then-President Gonzalo Sanchez de Lozada in late 2003, have slowed sales. U.S. products are well received and known for their high quality and technical advantages.

There are no impediments of any kind for the importat of mining equipment, machinery and components in Bolivia. The one exemption is explosives, which require a special license. The import tax paid for mining machinery and equipment is 5 percent of CIF price. The key factor in exporting to Bolivia is having a good local representative. Price is also an important factor, especially for spare parts where there are more supplying sources. Importers-resellers are headquartered in La Paz. About 65 percent percent of imports are shipped through the port of Arica, Chile.

Imports are handled through two channels: mining companies (80 percent) and importers and resellers (20 percent). Mining companies import directly through brand representatives with offices in Bolivia or sending trade missions to the U.S. or other markets.

Import market share for the U.S. and major competitors is shown below in Table XV:

TABLE XV
CIF IMPORTS BY COUNTRY

COUNTRY	CIF IMPORT VALUE (in Million USD)	PERCENTAGE SHARE OF MARKET
ALADI GROUP	1,459.1	34.2 %
Argentina	354.9	
Brazil	376.0	
Chile	682.3	
Others	45.9	
ANDEAN PACT	214.4	10.1 %
Peru	104.6	
Others	109.8	
Canada	29.7	
U.S.A.	626.6	26.2 %
EEC	309.5	12.9 %
Germany	55.8	
France	26.7	
Holland	8.0	
U.K.	16.7	
Others	201.3	
AELC	9.3	
Japan	472.1	19.8 %
Others	25.5	

Source: Bolivian Customs

Note: Import statistics provided by the Customs Agency do not show a breakdown of equipment and machinery by productive sectors.

Machinery and equipment imports represent 23.2 percent of total Bolivian imports. Imports of explosives represent 0.4 percent of total imports. Local production of explosives covers 75 percent of the market.

A small boom for the exploration and exploitation of tantalum minerals (tantalite) is now occurring in the Pre Cambrian Shield in Santa Cruz. There are commercial opportunities for the sale of mining equipment and exploration equipment for these small operations.

There are export credit support agreements with the Multilateral Investment Guarantee Agency (MIGA) and the Overseas Private Investment Corporation (OPIC), in addition to some individual European countries.

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